GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:121
ANSWERED ON:11.03.2005
FORMULATION OF NATIONAL POLICY ON SUBSIDIES
Badiga Shri Ramakrishna;Boianapalli Shri Vinod Kumar

Will the Minister of FINANCE be pleased to state:

(a) whether there has been consistent increase in subsidies in the initial years of the post reform period;

(b) if so, the details thereof alongwith the amount of subsidy provided, sector-wise during the last three years;

(c) the steps taken by the Government to reduce subsidy in fertilizers, petroleum and foodgrains;

(d) whether Union Government propose to formulate National Policy on subsidies;

(e) if so, the details thereof; and

(f) the impact of such policy on the consumers?

Answer

FINANCE MINISTER(SHRI P.CHIDAMBARAM)

(a) to (f): A Statement is placed on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No.121 for answer on 11th March, 2005 S/Shri VINOD KUMAR and BADIGA RAMAKRISHNA regarding Formulation of National Policy on Subsidies.

(a) & (b): Central Government subsidies, as a proportion of GDP has not consistently increased in the initial years of the reform period. On the other hand it fell steadily between 1990-91and 1995-96. The details of the subsidies, since 1990-91, is given in the table below:

	Total	of which		Total	of which	
	Subsidies	Food	Fertilizer	Subsidies	Food	Fertilizer
	(Rs crore)			(As per cent of GDP)		
1990-91	9133	2450	4389	1.61	0.43	0.77
1991-92	10183	2850	5185	1.56	0.44	0.79
1992-93	10824	2800	5796	1.45	0.37	0.77
1993-94	11605	5537	4562	1.35	0.64	0.53
1994-95	11854	5100	5769	1.17	0.50	0.57
1995-96	12666	5377	6735	1.07	0.45	0.57
1996-97	15499	6066	7578	1.13	0.44	0.55
1997-98	18540	7900	9918	1.22	0.52	0.65
1998-99	23593	9100	11596	1.36	0.52	0.67
1999-2000	24487	9434	13244	1.26	0.49	0.68
2000-01	26838	12060	13800	1.28	0.58	0.66
2001-02	31210	17499	12595	1.37	0.77	0.55
2002-03 #	43533	24176	11015	1.77	0.98	0.45
2003-04 #	44256	25160	11847	1.60	0.91	0.43
2004-05(RE)#	46514	25800	15662	1.50	0.83	0.50
2005-06(BE)#	47432	26200	16254	1.36	0.75	0.47

Includes subsidy on petroleum.

Source: Expenditure Budget Volume 1, various issues Note: Includes only explicit subsidy relating to food, fertilizer, petroleum, grants to NAFED for MIS/PPS, import/export of sugar edible oils etc., interest subsidies and others, recorded in the Budget.

(c) Based on the recommendations of the expert bodies appointed by the Government and assessment of impact by various organisations, the system of subsidization in all the three areas i.e. food, fertilizer and petroleum, have been changed in the last few years. Targeted Public Distribution System, which targets food subsidy to the poor (people below poverty line), has been in operation since 1997. Fertilizer subsidy is being restructured in a phased manner since April 1, 2003 on the lines recommended by the Expenditure Reforms Commission. Consequent upon dismantling of the administered price mechanism of petroleum products, petroleum subsidies have been included in the Budget from 2002-03.

(d), (e) & (f):The National Common Minimum Programme (NCMP) lays down the broad framework of policies of the Government. Targeting subsidies sharply at the poor and truly needy like small and marginal farmers, farm labour and the urban poor is one important component of the NCMP. Towards this end, a report `Central Government Subsidies in India` was presented to the Parliament on December 23, 2004. Government proposes to evolve a national policy for targeting subsidies based on discussions and consultations with various stakeholders and after a careful assessment of impact of such a move on the consumers.